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Report Highlights:

***India to oppose lower tariff bindings at WTO*, *Shortage of quality cotton worries mills*, *Andhra Pradesh grape exporters plan to introduce new brand*, *Wine Board and research institute on the horizon*, Ban on futures trading off*, *Food retail sector set for growth*.**

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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INDIA TO OPPOSE LOWER TARIFF BINDINGS AT WTO

The Indian government has decided against lowering India's WTO tariff bindings, particularly for agricultural commodities. According to Ministry of Commerce sources, the binding will be retained at the existing levels. Agriculture Minister Ajit Singh said that even the recent proposal for graded reduction in tariffs over a period of ten years is not acceptable to India. The subsidies provided by developed countries have to come down first, he noted. "Apart from tariffs, we do not have any other form of protection for our farmers. We do not want any surge in imports that may threaten the livelihood of our poor farmers", the Minister said. In the debate over reductions in agricultural subsidies, India has adopted a flexible stance as India has nothing to lose even if a cap on subsidies is imposed. (Economic Times, 2/24/03)

SHORTAGE OF QUALITY COTTON WORRIES MILLS

A shortage of quality cotton has given rise to fears that domestic cotton prices may surge from April onward. Industry sources stated that there is a shortage of quality cotton not only in the domestic market, but also in the global market as 30 percent of the US crop is adversely affected by drought. The domestic industry does not, however, foresee any substantial change in the domestic crop, import, and price scenario. While sections of the cotton trade estimate that domestic cotton output at substantially less than 14.5 million bales (170 kg bales), cotton mills do not agree with these pessimistic projections. Import prospects remain grim as international prices are currently 10-15 percent higher than domestic cotton prices. However the cotton trade feels that there could be improvement in the import prospects from April onwards, once the domestic cotton arrivals taper off. (Source: Business Line 2/22/03)

ANDHRA PRADESH GRAPE EXPORTERS PLAN TO INTRODUCE NEW BRAND

The Andhra Pradesh grape exporters have proposed to brand the export variety grapes as 'Hy Grapes' which they hope will have greater penetration in overseas markets. The brand building program is supported by Agricultural and Processed Food Export Development Authority (APEDA) by conducting grape promotions in European and South East Asian markets. The AP Grape Growers Association expects about 10 container loads of exportable Thompson Seedless grapes to be exported this year under the brand name. Meanwhile, nine grape exporters from the state have been recommended for EURUPGAP (European Retail Parties Good Agricultural Practices) certification for the European market. (Source: Financial Express 2/24/03)

WINE BOARD AND RESEARCH INSTITUTE ON THE HORIZON

The Union Food Processing Ministry is considering setting up a wine board to promote wine-quality grape growing and perhaps get India into the category of new world wine exporting nations. A wine research institute is also being planned. The board will produce strategies of production, technology inputs, and marketing to encourage grape growers of Maharashtra, Karnataka, and Andhra Pradesh to shift to better wine making varieties. The grapes currently grown in India are table variety and do not qualify for wine making. The Central Food Technology Research Institute has approved the local variety Bangalore Blue as best suited for wine making. The market for table grapes and raisins has reached a saturation point, and growing grapes specifically for wineries can be a winning proposition for farmers. Indian experts see the potential for the country to get into the wine market with its own labels. Karnataka produces about 100,000 liters of wine from 3-4 local wine producers. (Source: Business Line 2/26/03)

BAN ON FUTURES TRADING OFF

In a move aimed at improving the price discovery on commodities and offsetting price risks, the Indian government has decided to permit futures trading in 54 commodities, including wheat, rice, oilseeds, and pulses. This will enable futures trading in these commodities through organized commodity exchanges, subject to the regulations of the Forward Market Commission. Futures trading in wheat and rice could be creatively used by the government to reduce farmers' dependence on government procurement under price support operations. (Economic Times, 2/21/03)

FOOD RETAIL SECTOR SET FOR GROWTH

The rs. 450 billion food and grocery retail sector in India may attract yet another large traditional company. Indo-Rama Group, the polyester producers, in consultation with consultant Ernst & Young, has identified the food and grocery retail sector as having opportunities for future growth and are developing a business plan to enter the sector. Several companies from diverse backgrounds such as trading, real estate, apparels and soap and detergent have already launched chains of super malls in major cities to cash in on this market. The organized grocery retailing sector currently accounts for a mere two percent of the total \$80 billion retail market in India. With a number of players beginning to enter the market, the sector appears poised for a significant transformation. (Source: Financial Express 2/26/03)

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